Office of the Auditor General of Canada

2011–12 Estimates

Performance Report

Approved

Michael Ferguson, FCA
Auditor General of Canada

Honourable James Michael Flaherty, P.C., MP
Minister of Finance

For more information, contact

Communications
Office of the Auditor General of Canada
240 Sparks Street
Ottawa, Ontario
Canada K1A 0G6

Telephone: 613-995-3708 or 1-888-761-5953 (toll-free)
Fax: 613-957-0474
Hearing impaired only TTY: 1-613-954-8042
Email: Communications@oag-bvg.gc.ca
Website: www.oag-bvg.gc.ca

Cat. No. FA1-14/2012E-PDF
ISSN 2291-0123

Table of Contents

Message from the Auditor General of Canada 1

Performance summary 3

Section I—Overview 5

- Who we are 5
- What we do 5
- Strategic outcome and performance summary 7

Section II—Reporting on Results 11

- Our priorities for the 2011–12 fiscal year 11
- Performance highlights by product line 12
- Organizational performance 18
- Financial performance 23
- Our international contribution 24

Section III—Supplementary Information 27

- Financial statements 27
- Financial tables 45
- Report on staffing 48
- Sustainable development commitments 51
- List of performance audits 52
- List of special examinations 53
- List of internal audits and reviews 54
- Our performance indicators and measures 54

Message from the Auditor General of Canada

Michael Ferguson, FCA
Auditor General of Canada

I am pleased to present the Office of the Auditor General of Canada's 2011–12 Performance Report, my first such report on behalf of the Office. Overall, it was a strong year. We maintained a high level of productivity and smoothly completed two transitions in leadership. The report that follows this message contains a summary of our performance and activities.

The Office of the Auditor General of Canada conducts independent financial and performance audits and studies of federal departments and agencies, Crown corporations, and other entities. We also conduct audits of the governments of Nunavut, Yukon, and the Northwest Territories. Our reports focus on areas that need attention, provide recommendations for improvement, and point out good practices. They are presented directly to Parliament, territorial legislatures, or boards of directors of Crown Corporations.

Through both our reports and our appearances before parliamentary committees, our role is to provide parliamentarians and territorial legislators with objective information and assurance to support them in their important roles of authorizing and overseeing government spending and operations.

During the 2011–12 fiscal year, we completed all of our planned audit work, including 145 financial and performance audits, special examinations of Crown corporations, and other reports.

According to survey results, our clients continue to find value in the work we do. In particular, we are pleased to note that senior managers in departments assessed the value of our reports at a level that exceeded our targets for all the audits we conducted.

The Office identified two strategic priorities for 2011–12: to complete the transition to a new Auditor General, and to successfully implement the Renewal of Audit Methodology (RAM) project that it launched in 2009.

Sheila Fraser retired at the end of May 2011, upon completing her 10-year term as Auditor General. Deputy Auditor General John Wiersema was appointed Interim Auditor General pending my own appointment on 28 November 2011. I am grateful to both my predecessors for their superior leadership in building and maintaining a strong and healthy organization that was able to navigate both transitions smoothly and successfully.

Our second strategic priority was to successfully implement the RAM project. I am pleased to report that the project unfolded within projected deadlines and budgets. Rollout of the updated methodology began in November 2011, and we are on track to complete the project by the end of 2012, in accordance with our revised work plan.

In keeping with the spirit and intent of the government-wide effort to reduce the deficit, the Office undertook its own strategic and operating review to identify opportunities for savings. Our proposal was presented in October 2011. Resulting in a budget reduction of over $6.5 million (8 percent) for the Office and a staff reduction of approximately 10 percent, the proposal will not only generate cost savings but will increase consistency in our audit coverage across federal organizations. We have

obtained the necessary legislative changes and have begun implementing our proposed budget and staff reductions.

The Office of the Auditor General has maintained its ranking as a workplace of choice, as designated by both its employees and external organizations. Our 2012 employee survey showed that employee engagement is at its highest point ever. For the fifth year in a row, we were ranked as one of Canada's Top 100 Employers, one of the National Capital Region's Top 20 Employers, and one of Canada's Top 10 Family-Friendly Employers. We are also proud to have been selected for the first time as one of the Top Employers for Canadians over 40.

I have been very impressed by the dedication and professionalism I have seen in the people who make up the Office of the Auditor General of Canada. They are the foundation of the reputation that this Office has built over the years. As I begin my term as Auditor General of Canada, I look forward to working with them to continue our work of supporting Parliament's oversight of government spending and performance.

Michael Ferguson, FCA
Auditor General of Canada
12 September 2012

Performance summary

Overall, the Office is pleased with its performance for the 2011–12 fiscal year.

Highlights

We completed all planned audits on time, with three exceptions. Two performance audit reports—on the administration of the Senate of Canada and the House of Commons—were planned to be tabled in the fall of 2011 but were delayed until June of 2012. The third exception was a territorial status report that was delayed from February until June 2012. In addition, we completed three performance audits that were not planned in our 2011–12 Report on Plans and Priorities. All of our work was conducted, as required, in accordance with new accounting and auditing standards.

Survey responses from board and audit committee chairs indicate that they continue to find value in our work, with the results for audit committee chairs approaching the peak we saw in 2009–10. Survey responses from senior managers in the organizations we audit also continue to show that they perceive value from our work.

We completed the majority of our Renewal of Audit Methodology project on time and on budget. The final components will be implemented by 31 December 2012 in accordance with our revised work plan.

We undertook a Strategic and Operating Review of the Office and began working with the government to ensure that the necessary legislative changes to our mandate would be submitted to Parliament in order for us to realize our proposed budget and staff reductions.

Our 2012 employee survey shows that employee engagement remains very high, with 95 percent of employees feeling proud to work for the Office.

Results of our work

There has been a decrease in engagement with parliamentary committees this year. The percentage of our performance audits reviewed has decreased from 62 percent to 43 percent. The number of hearings we have participated in relative to the number of sitting days has also decreased.

In our most recent status report, which was tabled in June 2011, we found that departments had made satisfactory progress in addressing 62 percent of the 42 recommendations we made in the original audits.

For the two special examinations that were completed in the 2011–12 fiscal year, no significant deficiencies were identified.

Fifty-two percent of the qualifications and "other matters" in our financial audit reports from the 2010–11 fiscal year were addressed this fiscal year. Only 4 of the 14 qualifications that were not addressed were auditing or accounting qualifications. The remaining 10 qualifications were for non-compliance with authorities, mainly for failing to file annual reports on time.

Federal ministers delivered 96 percent of responses to petitions on environmental matters within the 120-day time limit, which is the same percentage as in the 2010–11 fiscal year.

Areas for improvement

We have made changes to strengthen internal accountability for managing group level budgets, and we are taking additional steps to improve accountability for the budgets of individual audits.

Other initiatives

Under the new Auditor General's direction, we will be undertaking a major review of the Office's strategic plan in the 2012–13 fiscal year, with a view to seeking opportunities to enhance the operation of the Office and the impact of our work.

Section I—Overview

Who we are

The Office of the Auditor General of Canada is the legislative audit office of the federal government. We are also the legislative auditor of the three territories. We conduct independent audits and studies that provide objective information, advice, and assurance to Parliament, territorial legislatures, governments, and Canadians. With our reports and testimony at parliamentary hearings, we assist Parliament and territorial legislatures in their work on the authorization and oversight of government spending and operations.

What we do

The Auditor General is an Officer of Parliament who is independent from the government and reports directly to Parliament. The duties of the Auditor General are set out in the *Auditor General Act*, the *Financial Administration Act*, and other acts and orders-in-council. These duties relate to legislative auditing and, in certain cases, to monitoring of federal departments and agencies, Crown corporations, territorial governments, and other entities.

The Office's main legislative auditing duties are

- financial audits,
- performance audits,
- special examinations,
- sustainable development monitoring activities and environmental petitions, and
- assessments of agency performance reports.

Financial audits

Our financial audits provide assurance that financial statements are presented fairly in accordance with Canadian generally accepted accounting standards. Where required, we provide assurance that the organizations we audit comply, in all significant respects, with legislative authorities that are relevant to a financial audit. We also conduct financial audits of federal and territorial Crown corporations and of other organizations. We audit the summary financial statements of the Government of Canada and each of the three territories (Nunavut, Yukon, and the Northwest Territories).

If issues or opportunities for improvement in areas such as financial reporting and internal controls come to our attention during our financial audit work, we make recommendations to management. We also provide information and advice to help audit committees meet their responsibilities for the oversight of financial reporting and internal control.

Performance audits

Performance audits examine, against established criteria, whether government programs are being managed with due regard to economy, efficiency, and environmental impact, and whether the government has the means to measure and report on their effectiveness. Our reports contain recommendations for addressing the most serious deficiencies identified.

The *Auditor General Act* gives the Office the discretion to determine what areas of government it will examine in its performance audits. We may decide to audit a single government program or activity, an area of responsibility that involves several departments or agencies, or an issue that affects many departments and agencies. We consider requests for audits that we receive from parliamentary committees. However, the final decision about what to audit is made by the Auditor General.

Special examinations

Our special examinations assess the systems and practices maintained by Crown corporations. A special examination provides the corporation's board of directors with an opinion on whether there is reasonable assurance that there are no significant deficiencies in their systems and practices. A significant deficiency is a major weakness that could prevent the corporation from having reasonable assurance that its

- assets are safeguarded and controlled,
- resources are managed economically and efficiently, and
- operations are carried out effectively.

In addition to reporting on significant deficiencies, our special examinations highlight systems and practices that contribute to success, and provide information and recommendations to boards of directors about opportunities for improvement.

All parent Crown corporations, except two, are subject to a special examination by the Office to be conducted at least once every 10 years. The two exceptions are the Bank of Canada, which is exempt from this requirement, and the Canada Pension Plan Investment Board, which (under the *Canada Pension Plan Investment Board Act*) is subject to a special examination by an auditor who is chosen by the board of directors.

Sustainable development activities and environmental petitions

The Commissioner of the Environment and Sustainable Development assists the Auditor General in performing duties related to the environment and sustainable development. The Commissioner conducts performance audits to monitor the government's management of environmental and sustainable development issues and, on behalf of the Auditor General, reports to Parliament on issues that should be brought to its attention.

Under the *Kyoto Protocol Implementation Act*, the Commissioner was required to provide Parliament with a report every two years. Our final report under the Act was tabled in May 2012.

The Commissioner also administers the environmental petitions process. This includes monitoring responses to environmental petitions and reporting annually to Parliament on petition activities from the previous year, including instances where ministers did not respond to petitions within the 120-day

time limit specified in legislation. The Office of the Auditor General considers issues raised in petitions when planning future audits.

Assessments of agency performance reports

The legislation governing the Parks Canada Agency, the Canadian Food Inspection Agency, and the Canada Revenue Agency requires the Auditor General to periodically assess the fairness and reliability of the performance information reported in their annual reports against corporate objectives they provided to Parliament. We are discontinuing these assessments as part of our Strategic and Operating Review.

Professional practices

In order to ensure the reliability and consistency of our audit work, the Office makes an ongoing investment in professional practices. This investment supports

- the development and maintenance of up-to-date audit methodology, guidance, and audit tools;
- communication and training to promote consistency in the application of audit methodology and the Office's System of Quality Control; and
- the provision of advice on the interpretation and application of professional standards, Office policies, audit methodology, and the System of Quality Control.

Through the Professional Practices Group, the Office works with other legislative audit offices and professional associations, such as The Canadian Institute of Chartered Accountants, to advance legislative auditing methodology, accounting and auditing standards, and best practices. We regularly participate in external reviews of other national legislative audit offices and are the subject of external reviews.

International activities

Our international strategy guides our international activities and positions the Office to meet future opportunities and challenges. This strategy is currently being updated and will be completed over the coming year. (See "Our international contribution" in Section II for more details.)

Strategic outcome and performance summary

The long-term strategic outcome of the Office of the Auditor General is to contribute to better-managed government programs and better accountability to Parliament through our legislative auditing work.

We have identified a number of results that we expect to achieve with our audits in the short, medium, and long term (Exhibit 1):

- In the short term, we want to engage Parliament and federal and territorial organizations in the audit process, ensure that Parliament is well informed about our work, and maintain support for our role and work.
- In the medium term, we want to assist Parliament in holding the government to account; make our work relevant to federal and territorial organizations, departments, agencies, and Crown corporations; and ensure that the public is well informed about our work.

- In the long term, we want our work to lead to more effective, efficient, and economical government programs and operations and to programs that foster sustainable development.

Exhibit 1 shows our performance against our expected results and our actual spending against our budget.

Exhibit 1—Performance summary

Strategic outcome: We contribute to a well-managed and accountable government for Canadians.		
Expected Results • Parliament is well-informed. • Parliament and federal and territorial organizations are engaged in the audit process. • Parliament holds government to account. • Our work is relevant to federal and territorial organizations, departments, agencies, and Crown corporations. • The media and public are well-informed. • Support for our role and work is maintained.		**2011–12 Performance** We completed: • 23 performance audits and 2 studies • 118 financial audits • 2 special examinations
Objectives	**Indicators and targets**	**2011–12 Performance**
Key users of our reports are engaged in the audit process.	• Maintain or increase percentage of audits that are reviewed by parliamentary committees. • Maintain or increase number of parliamentary hearings and briefings we participate in, relative to the number of sitting days.	• Level of engagement of parliamentary committees has decreased.
Our work adds value for the key users of our reports.	Percentage of responses from users who find that our audits add value. • 90 percent for all audit types	• Target was met for financial audits. • There were no results for performance audits.[1] • Target was met for special examinations.[2]
Our work adds value for the organizations we audit.	Percent of responses from senior managers who find that our audits add value. • 80 percent for financial audits and special examinations • 70 percent for performance audits	• Targets were exceeded for financial audits, performance audits, and special examinations.
Key users of our reports and the organizations we audit respond to our findings.	Percent of recommendations for which satisfactory progress has been made (75%) or qualifications and "other matters" that are addressed (100%).	• Target was met for special examinations.[2] • Target was not met for financial audits and performance audits.

Exhibit 1—Performance summary (continued)

Legislative auditing activity[3]	2010–11 Actual spending[4] ($ millions)	2011–12 Budget[5] ($ millions)	2011–12 Actual spending ($ millions)
Financial audits of Crown corporations, territorial governments, and other organizations, and of the summary financial statements of the Government of Canada	45.1	44.9	47.2
Performance audits and studies of departments and agencies[6]	39.8	39.5	38.1
Special examinations of Crown corporations	1.3	2.9	2.7
Sustainable development monitoring activities and environmental petitions	1.0	2.1	1.2
Assessments of agency performance reports	0.7	0.8	0.6
Professional practices	13.8	15.2	13.5
Total cost of operations	**101.7**	**105.4**	**103.3**
Less: Costs recovered[7]	(0.1)	(0.8)	(0.8)
Net cost of operations	**101.6**	**104.6**	**102.5**

[1] There was no survey of parliamentarians in 2011–12.

[2] Only two special examinations surveys were completed in 2011–12,.

[3] The cost of audit services is allocated to each legislative auditing activity.

[4] The 2010–11 actual spending has been reclassified to conform to the presentation adopted for the 2011–12 budget and actual spending.

[5] The budget amounts are as reported in our 2012–13 Report on Plans and Priorities (as revised planned spending 2011–12).

[6] This amount includes environmental and territorial government audits and studies.

[7] The net costs recovered include respendable revenue from the National Professional Practices Group and from the audit of the International Labour Organization, which we audit on a cost-recovery basis.

We gather information on the impact of our work, and we have established indicators and targets to measure the results for our three major activities: financial audits, performance audits, and special examinations. The following section describes the main activities, expected results, performance objectives, indicators and targets, and planned financial resources for each of these activities.

We have a set of organizational performance measures, presented in the following section, which help us monitor whether

- our work is delivered on time and on budget,
- our audit reports are reliable, and
- we provide a respectful workplace.

Tables summarizing all of our targets and actual performance, and a rationale for how we define our targets, appear in Section III, Supplementary Information.

Section II—Reporting on Results

Our priorities for the 2011–12 fiscal year

The Office of the Auditor General identified two strategic priorities for the 2011–12 fiscal year:

- successfully implementing the Renewal of Audit Methodology (RAM) project, and
- managing the transition to a new Auditor General.

Successfully implementing the Renewal of Audit Methodology (RAM) project

Our RAM project responds, in part, to the significant changes in international and Canadian auditing standards and to the introduction of International Financial Reporting Standards (IFRS) in 2011. The project also responds to internal practice review findings, feedback from practitioners, and recommendations from the international peer review of the Office, which was completed in 2010.

The objective of the project is to provide our staff with the tools, training, and change management support they need to conduct high-quality audits. This project

- renews our audit methodology,
- establishes a sustainable process for ensuring that our methodology remains current, and
- updates the design and documentation of our System of Quality Control.

As of 31 March 2012, we had completed almost all of the components of this project. The final components—to put in place additional guidance in our attest audit practice, provide related training, and provide change management support—will be implemented by 31 December 2012, in accordance with our revised work plan.

Managing the transition to a new Auditor General

In May 2011, Sheila Fraser's 10-year (non-renewable) term as Auditor General came to an end. As a new Auditor General had not yet been appointed, John Wiersema was appointed Interim Auditor General. On 3 November 2011, the government issued an order-in-council appointing Michael Ferguson as Auditor General of Canada, effective 28 November 2011. Mr. Ferguson tabled his first report as Auditor General on 3 April 2012. During this transition, all planned audit work was undertaken and the transition was completed smoothly.

Other challenges and initiatives

Funding

In light of the recent fiscal climate, we did not seek additional funding in the 2010–11 and 2011–12 fiscal years. Rather, we looked for opportunities to reduce our expenses and redeploy auditors within the Office. We worked within our existing funding levels and completed the 2011–12 fiscal year with a small lapse of funds.

In October 2011, in response to a request from the government, we submitted our Strategic and Operating Review proposal to the Speaker of the House of Commons and the Chair of the Standing

Committee on Public Accounts—the parliamentary committee that oversees the work of the Office. We proposed approximately $6.7 million in budgetary reductions for the Office to be implemented by the 2014–15 fiscal year. We worked with the government to ensure that the necessary legislative changes to our mandate were introduced in order for us to realize these reductions.

Performance highlights by product line

Indicators of impact

We measure our impact and performance for our three main product lines:

- financial audits of Crown corporations, federal and territorial governments, and other organizations;
- performance audits and studies of departments and agencies; and
- special examinations of Crown corporations.

The following sections summarize the results for each of these products during the 2011–12 fiscal year.

Financial audits of Crown corporations, federal and territorial governments, and other organizations

Financial audits answer the following questions:

- Are the annual financial statements of Crown corporations, the federal and territorial governments, and other organizations presented fairly?
- Are these entities complying with their legislative authorities?

Our work adds value for key users of our reports and the organizations we audit. To understand the value of our financial audits, we survey the chairs of audit committees and other bodies responsible for the oversight of financial reporting, and the senior managers in the organizations we audit. The surveys are available on our website.

Our target is 90 percent for responses from audit committee chairs indicating that they find that our audits add value. In the 2011–12 fiscal year, an average of 91 percent of responses were "agree" or "strongly agree" for the five statements used to measure value added. This percentage has risen from 2010–11, when 81 percent of respondents believed that our financial audits added value.

Exhibit 2 shows the trend in responses from audit committee chairs.

Our target is 80 percent for responses from senior managers of Crown corporations and large departments who "agree" or "strongly agree" that our financial audits add value. On average, 85 percent of responses from senior managers surveyed in the 2011–12 fiscal year indicate that they agreed or strongly agreed that financial audits add value (Exhibit 3).

Exhibit 2—Financial audits add value for audit committee chairs

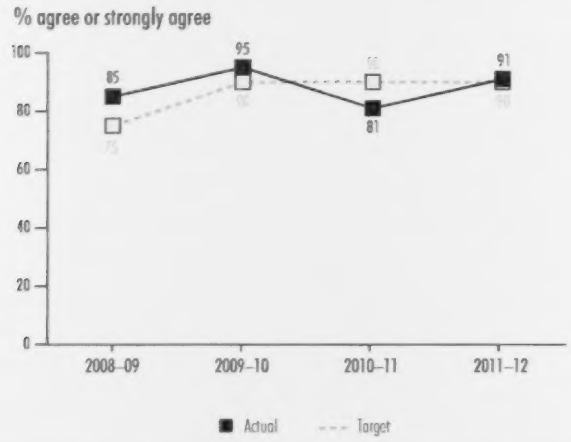
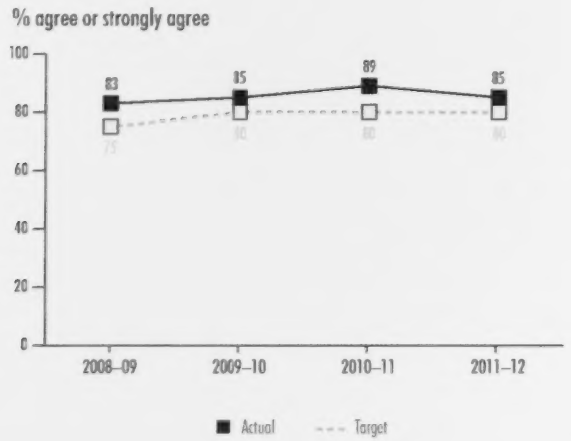


Exhibit 3—Financial audits add value for senior managers



Key users of our reports and the organizations we audit respond to our findings. For our financial audits, we monitor the corrective action taken by the organizations we audit in response to qualifications and "other matters" contained in our audit reports. Our indicator is the percentage of qualifications and "other matters" that are addressed from one report to the next. While we do not control whether organizations respond, our target is that they address them all. In the 2011–12 fiscal year, 15 of 29 (52 percent) of the qualifications and "other matters" we reported in the 2010–11 fiscal year were addressed.

In our financial audit reports, there are three types of qualifications that can be presented: reservations related to financial accounting issues, reservations related to auditing issues, and reservations related to compliance with authorities.

Financial accounting reservations report departures of a significant monetary value from the requirements of the applicable financial reporting framework. Auditing reservations report situations where the auditor is unable to obtain sufficient appropriate audit evidence—for example, when the entity did not maintain proper books and records. Compliance with authorities reservations report instances of entities not complying with the relevant legislation and regulations—for example, failing to prepare a Corporate Plan or financial statements within a specified time frame.

Our reports may also include "other matters"—for example, comments concerning an organization's financial sustainability or ability to fulfil its mandate. Since the 2008–09 fiscal year, we have included "other matters" in the calculation of this performance indicator.

Exhibit 4 summarizes the qualifications and other matters in the audit reports we issued in the 2010–11 and 2011–12 fiscal years.

Exhibit 4—Qualifications and other matters issued in the audit reports for the 2010–11 and 2011–12 fiscal years

Fiscal year	Number of audit reports that contained qualifications or "other matters"	Total number of qualifications or "other matters"	Qualifications			Number of "other matters"	Qualifications and "other matters" issued in prior year addressed in current year (%)
			Inability to obtain sufficient appropriate audit evidence	Financial Statements are materially misstated	Compliance with authorities reservations		
2010–11	21	33	10	1	19	3	26%
2011–12	16	23	10	1	12	0	52%

In the 2011–12 fiscal year, there are four disclaimers of opinion included in the inability to obtain sufficient appropriate audit evidence and six qualifications. The disclaimers were for the 2007–08, 2008–09, and 2009–10 fiscal years for the First Nations Statistical Institute and for 2009–10 for the Nunavut Liquor Commission.

The heading "financial statements are materially misstated" includes one qualification relating to a departure from Generally Accepted Accounting Principles (GAAP) in the Qulliq Energy Corporation. Of the 12 reservations relating to issues of non-compliance with authorities, 9 involved late tabling of annual reports or financial statements and 3 were various other non-compliance issues. These modifications arose in the following areas: the Northwest Territories (7), Nunavut (4), and federal entities (1).

Performance audits and studies of departments and agencies

Performance audits answer the following questions:

- Are federal government programs well managed?
- Have the programs been run with due regard to economy, efficiency, and their environmental effects?

- Does the government have the means to measure the programs' effectiveness where it is reasonable and appropriate to do so?

Our Office also conducts studies. Among other things, studies can identify criteria for future audits or document subjects of particular interest to Parliament.

In the 2011–12 fiscal year, we completed 23 performance audits and 2 studies. A list of all of our performance audits and studies is included in Section III—Supplementary Information.

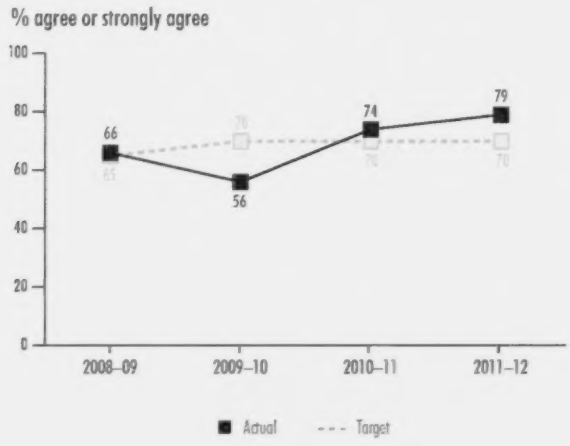
Our work adds value for the key users of our reports. We periodically survey the members of parliamentary committees that review our reports.

In the 2011–12 fiscal year, the Office did not survey parliamentary committees due to the federal election. As a result of the new Parliament, there was significant turnover in committee membership and thus committees had members with limited exposure to our work. We surveyed northern legislatures for the second time; however, at the time we were preparing this Performance Report, we had not received responses to the most recent survey.

Our work adds value for the organizations we audit. Since the 2003–04 fiscal year, we have surveyed senior management of each organization that we audited, following tabling of the performance audit report in Parliament.

Our target is to have 70 percent of the responses from senior management indicate that they "agree" or "strongly agree" that our performance audits add value for them. For audits completed in the 2011–12 fiscal year, an average of 79 percent of responses from senior managers indicated that they "agree" or "strongly agree" that our audits add value. This result exceeded our target and the four-year average (Exhibit 5).

Exhibit 5—Performance audits add value for senior management



Key users of our reports are engaged in the audit process. While many parliamentary committees draw on our work, the Office's main relationship is with the Standing Committee on Public Accounts. The Commissioner of the Environment and Sustainable Development usually appears before the House of Commons Standing Committee on Environment and Sustainable Development.

We monitor the level of involvement of parliamentary committees by tracking the number of audits reviewed by committees. We also assess the committees' level of interest in our reported findings by looking at how frequently they ask us to appear before them to further elaborate on our findings. Our appearances before committees assist parliamentarians in fulfilling their oversight role and give us the opportunity to increase awareness and understanding of the issues raised in our reports.

Parliamentary committees continue to be engaged in the audit process, although we have seen a decrease in both of our indicators. In 2011–12, parliamentary committees reviewed 43 percent of our performance audit reports, down from 62 percent in 2010–11 and 68 percent in 2009–10. We participated in 29 committee hearings, 25 that considered work of the Auditor General and 4 that considered work of the Commissioner of the Environment. This is a decrease from 46 hearings and briefings in 2010–11 and 39 in 2009–10. Relative to the number of parliamentary sitting days, this year's result is about a 20 percent decrease from the previous two years. We typically see this type of result in an election year. We also participated in 4 hearings in northern legislative assemblies.

Key users of our reports and the organizations we audit respond to our findings. Departments and agencies are responsible for taking corrective action and improving their management practices in response to our audit findings. Departmental chief audit executives are responsible for routinely reporting to their departmental audit committee on whether management's action plans have been implemented and whether there is reason to question the effectiveness of the actions taken. Departmental audit committees are responsible for advising the organization's deputy head on the effectiveness of arrangements in place for monitoring and following up on management action plans that respond to recommendations from our Office.

About every two years, we prepare a status report that follows up on the government's progress in implementing recommendations we made in previous performance audits. We audit selected recommendations and findings from prior reports to determine if progress in addressing them has been satisfactory. We tabled our most recent status report in June 2011, and we found satisfactory progress had been made in 62 percent of the 42 recommendations we examined.

Special examinations of Crown corporations

A special examination of a Crown corporation answers the following question:

- Do the systems and practices used by Crown corporations provide reasonable assurance that assets are safeguarded and controlled, that resources are managed economically and efficiently, and that operations are carried out effectively?

In 2011–12, we reported on the special examinations of the Public Sector Pension Investment Board and the Canadian Race Relations Foundation. At the time of preparing our 2011–12 Report on Plans and Priorities, we planned to report the special examination of Old Port of Montreal Corporation Inc. in 2011–12. However, during detailed planning of the examination, it was determined that it would be reported early in the 2012–13 fiscal year. Completion of this work is pending the conduct of our special inquiry, requested by the government, into certain management practices at the Corporation.

Chapter 6 of our 2012 Spring Report, Special Examinations of Crown Corporations—2011, presents the main points of the special examination reports that were issued to the boards of directors of the audited Crown corporations in 2011 and that have since been made public. No significant deficiencies were identified in these special examination reports.

Legislation requires the board of directors of Crown corporations to submit the special examination report to the appropriate Minister and the President of the Treasury Board within 30 days after the day on which it receives the report. The board must also make the report available to the public within 60 days after it receives it.

Our work adds value for the key users of our reports and the organizations we audit. To understand the value of our special examinations to the users of these reports and the organizations we audit, we survey board chairs and chief executive officers. For the two special examinations we carried out in the 2011–12 fiscal year, we received responses from the two board chairs and representatives of senior management. Due to the small number of respondents, detailed results are not presented. However, we do follow up if issues are raised or where opportunities arise to improve our performance. Over the past five years, the feedback we have received has been positive and consistent with our targets.

Key users of our reports and the organizations we audit respond to our findings. We monitor the corrective action taken in response to significant deficiencies reported in our special examinations. Our indicator is the percentage of significant deficiencies that are addressed by the organizations we audit between examinations. Our target is 100 percent.

Neither of the two special examinations that we completed in the 2011–12 fiscal year had a significant deficiency reported in the previous special examination.

Sustainable development activities and environmental petitions

Sustainable development activities. In 2011–12, the Commissioner of the Environment and Sustainable Development released two reports (October and December), containing five audits and two studies that covered a range of topics from environmental enforcement to the transportation of dangerous products. These reports emphasized a common theme, namely the importance of having sound scientific information for making informed decisions.

For example, in the December 2011 Report, a study on environmental monitoring systems emphasized the importance of having good monitoring systems for knowing whether the quality of our environment is getting better or worse. The study provided Parliament with an up-to-date inventory of the various federal monitoring systems in place in Canada, along with a description of key attributes of effective monitoring systems. This study was complemented by an audit on environmental science at Environment Canada, which examined not only how the Department ensures the quality of its science but also how science is communicated to decision makers. In addition, the Commissioner's October 2011 Report highlighted that the federal government lacked scientific information, including environmental baselines and environmental data monitoring systems, needed to understand cumulative environmental effects.

The House of Commons Standing Committee on the Environment and Sustainable Development held hearings on both the October and December 2011 reports.

Environmental petitions. The 1995 amendments to the *Auditor General Act* require that we monitor and report annually to Parliament on environmental petitions received from Canadians. The Commissioner reports on the quantity, nature, and status of petitions received and on the timeliness of ministers' responses. The annual report on environmental petitions was included in the Commissioner's December 2011 Report.

In the 2011–12 fiscal year, the Office received 24 environmental petitions. Ministers delivered 96 percent of responses to petitions on environmental matters within the 120-day time limit. The same percentage was achieved in 2010–11.

The Office's audit work continues to be informed by issues raised in environmental petitions. Recent audit work in our Office has benefited from knowledge gained through petitions and responses. For example, in the October 2011 Report of the Commissioner of the Environment and Sustainable Development, Chapter 2, Assessing Cumulative Environmental Effects of Oil Sands Projects, we took into account the government's response to Petition 263, which asked for the status of joint panel recommendations to the federal government.

Organizational performance

We measure and manage our performance as an organization in a number of ways. The following section describes our key performance objectives, measures, and targets and how we performed in the 2011–12 fiscal year.

Delivering work on time and on budget

On time

We completed 98 percent of financial audits of federal Crown corporations on time. The audit of the First Nations Statistical Institute was not completed on time. Financial audits of other federal organizations with a statutory deadline had a 91 percent completion rate. The two exceptions were the audits of the Canadian Polar Commission and National Research Council.

Completing financial audits of federal organizations without a statutory deadline on time can be more challenging as these entities are not always ready to be audited within the period we target for the completion of our work—150 days after the end of the financial reporting period. In the 2011–12 fiscal year, 93 percent of these audits were completed on time, exceeding our target of 80 percent.

Territorial financial audits present some unique challenges, including entity management not being adequately prepared for our audits. In the 2011–12 fiscal year, we completed 56 percent of these audits on time. This is higher than in 2010–11 (31 percent) and similar to 2009–10 (64 percent). However, this percentage still falls below our target of 60 percent. We have continued our dialogue with senior management of the organizations we audit in the north to improve this result.

The Office determines when individual performance audit reports will be tabled in the House of Commons, as there are no statutory deadlines for these reports. However, we communicate to the House of Commons Standing Committee on Public Accounts our planned tabling schedule for performance audits for the coming fiscal year and measure our on-time performance against this plan.

In the 2011–12 fiscal year, 88 percent of the Office's performance audits were on time, falling just below our target of 90 percent.

In our 2011–12 Report on Plans and Priorities, 25 performance audits were listed as being planned for tabling during the 2011–12 fiscal year, and 22 performance audits were tabled as planned. Two audit reports—the administration of the Senate of Canada and the House of Commons—were planned to be tabled in the fall of 2011 but were tabled in June 2012. Neither organization had been subject to an audit in 20 years, and the audits required additional time. The third report, the Yukon Status Report, was scheduled to be tabled in February 2012, but due to the breadth and depth of issues being followed up, the report was tabled on 14 June 2012.

Three additional reports, which were not included in our 2011–12 Report on Plans and Priorities, were tabled in the 2011–12 fiscal year. One was an audit of the G8 Legacy Infrastructure Fund that was tabled in June 2011. The other two were studies of environmental monitoring and sustainable fisheries reported by the Commissioner of the Environment and Sustainable Development in December 2011.

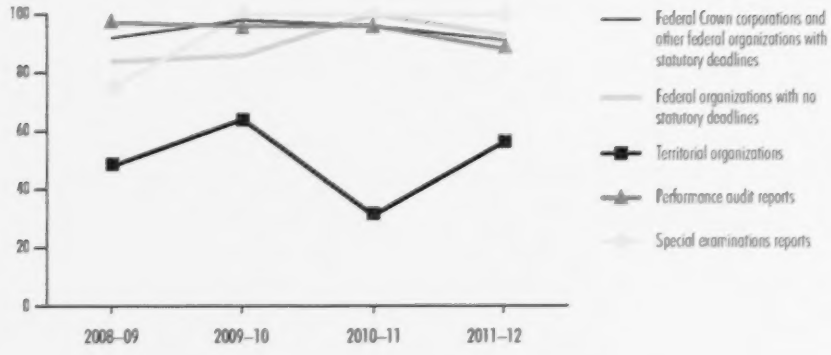
A list of all of the audits tabled in the 2011–12 fiscal year is included in Section III—Supplementary Information.

Two of the three special examinations that we included in our 2011–12 Report on Plans and Priorities were delivered as planned, on or before the statutory deadline. Completion of the third special examination—Old Port of Montreal Corporation Inc.—is pending the conduct of our special inquiry, requested by the government, into certain management practices at the Corporation.

A list of special examinations completed in the 2011–12 fiscal year is included in Section III—Supplementary Information.

Exhibit 6 shows the trends in our performance for producing our audits on time.

Exhibit 6—Percentage of audits completed on time



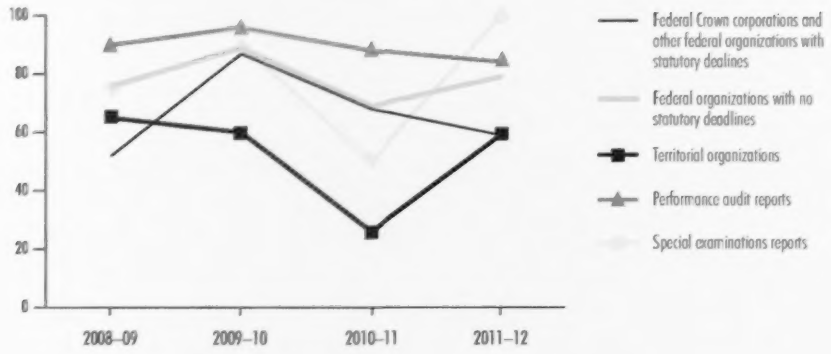
On budget

For all of our audits, being "on budget" means completing the audit in no more than 115 percent of the budgeted hours for the audit. This recognizes that factors outside the control of the audit team, such as client readiness and the number and complexity of issues identified, can affect time spent on an audit. It also reflects the balance we want to establish between assuring we do high-quality work and meeting our budgets.

In the 2010–11 fiscal year, the Office increased its on-budget targets to 80 percent. Our results for 2011–12 were mixed: we met our targets for performance audits and special examinations, but the results for two categories of our financial audits fell below the 80 percent target we had set (Exhibit 7). We have made changes to strengthen internal accountability for managing group level budgets, and we are taking additional steps to improve accountability for the budgets of individual audits.

In our last Performance Report, we noted that our results for completing financial audits of territorial organizations on budget was 26 percent—well below our performance target of 80 percent. In 2011–12, we made significant improvements in this area as we completed 59 percent of our territorial audits on budget. The Office continues to work to improve in this area, while recognizing that auditing these organizations presents some unique challenges related to the availability of financial management and accounting expertise in the organizations.

Exhibit 7—Percentage of audits completed on budget



Ensuring our audit reports are reliable

Our audit work is guided by a rigorous methodology and System of Quality Control. Annual internal reviews and periodic external peer reviews provide the Auditor General with opinions on whether our audits are conducted in accordance with professional standards and on whether our System of Quality Control is appropriately designed and effectively implemented. Annual internal reviews also conclude on whether the opinions and conclusions contained in our audit reports are appropriate. We report publicly on the results of these reviews in order to provide assurance to parliamentarians and the public that they can rely on the opinions and conclusions contained in our audit reports. Our System of Quality Control is based on professional standards and Office policies. It provides auditors with steps that they must follow during their audits and ensures that these audits are conducted according to

professional standards and Office policies. External reviews conducted by the provincial institutes of chartered accountants conclude on whether we are following professional standards and meeting their requirements for training chartered accounting students.

Internal practice reviews

Each year, we conduct practice reviews of our financial audits, special examinations, and performance audits by assessing their compliance with our System of Quality Control and with professional standards.

In the 2011–12 fiscal year, we completed 11 practice reviews—7 of financial audits and 4 of performance audits. In all cases, we found that the opinions and conclusions expressed in the audit reports were appropriate and supported by proper evidence. We found that all audit files complied with our System of Quality Control, with some files needing improvement in one or two areas. These results are an improvement over the last two years. Last year, 11 files needed improvement in one or two areas and 4 files needed improvement in more than two areas.

External reviews

We periodically seek independent assurance that our System of Quality Control is suitably designed and operating effectively to produce independent, objective, and supportable information that Parliament can rely on to examine the government's performance and hold it to account. This is done through peer reviews conducted by other national legislative audit offices.

A peer review was conducted in the 2009–10 fiscal year that encompassed all three of our main audit practices, as well as key services that directly support audit operations. The results were presented in our Performance Report for that year. The Office has committed to requesting an external peer review at least once during each Auditor General's 10-year mandate.

A second type of external review is conducted by the provincial institutes of chartered accountants, who review our compliance with professional standards and our training of chartered accounting students. One such review was conducted in the 2011–12 fiscal year, which concluded that the Office was following professional standards and was meeting the training requirements.

Internal audits

We also audit our management and administrative practices to assure the Auditor General that the Office is complying with government and Office policies. These internal audits also provide managers with assessments and recommendations, and when they are completed, the results are published on our website. The list of internal audits and reviews completed in the 2011–12 fiscal year is in Section III—Supplementary Information.

In the 2011–12 fiscal year, we completed an internal audit of the Office's financial management and budgeting processes. The audit found that the Office has a financial management and budgeting process that supports the effective allocation and management of its annual appropriation from Parliament.

Providing a respectful workplace

The Office has set four objectives for providing a respectful workplace, each with its own indicators and targets:

- Provide a workplace environment where employees are satisfied and engaged.
- Promote a bilingual workplace.
- Assemble a workforce that represents the Canadian workforce.
- Ensure that qualified, capable employees are available to carry out our mandate.

Satisfied and engaged employees

The Office conducts employee satisfaction research every two years. Our most recent survey was done in May 2012. The shorter survey format used this year streamlined the research instrument and focused on engagement and enablement questions. The survey shows that employee engagement remains very high, with 95 percent of employees feeling proud to work for the Office.

We recognize that maintaining employee engagement can be particularly challenging during periods of economic restraint. For this reason, we have provided employees with periodic updates on our strategic and operating review initiatives and our progress in achieving budget reduction objectives.

We shared our new Respectful Workplace Policy with staff this year and built awareness of individual responsibilities and organizational accountabilities. Our Human Resource team will continue to provide information sessions on a wide range of people management policies and protocols to ensure consistency in communication and widespread understanding of best practices within the Office.

A bilingual workforce

The Office demonstrates its commitment to maintaining a bilingual workforce through a variety of initiatives. We maintain four full-time instructors who offered a total of 3,375 hours of training to our 115 active students. A renewal of our Official Languages (OL) training program resulted in the implementation of diagnostics tools, the expansion of employee access to structured web-based learning resources, and an increase in the type and number of group classes available to staff. Our Official Languages subcommittee includes representation from all groups and levels within the organization. This active committee organizes regular OL awareness-building activities, such as the celebration of cultural events.

Bilingual capacity in the management group has remained consistent, with 84 percent of our senior management group (the Auditor General, assistant auditors general, and principals) meeting the language requirements of their positions in 2011–12, compared with 85 percent in 2010–11 (our target is 100 percent). In 2011–12, 74 percent of directors met the language requirements for their positions, compared with 73 percent in 2010–11.

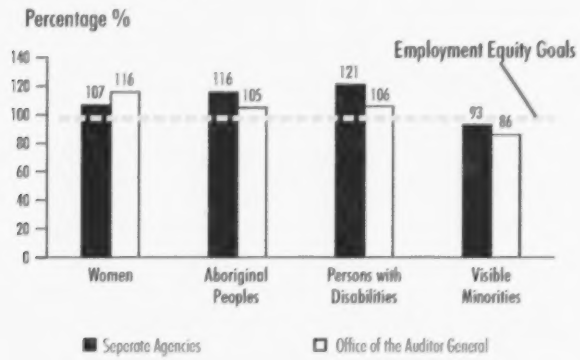
A representative workforce

Employment equity is an important underlying value of the Office of the Auditor General of Canada. We are committed to ensuring equal opportunity in our workplace for all employees. Our employment equity results for the four designated groups exceed or are close to the goal of 100 percent of workforce availability.

In 2011, the Canadian Human Rights Commission (CHRC) completed an analysis of the Office's employment equity data. The assessment was a comparison of the Office's employment equity results with the performance of other employers that are subject to the *Employment Equity Act*.

According to the CHRC, the Office is considered a leader in employment equity because it has an overall representation above the 100 percent goals for women, Aboriginal peoples, and persons with disabilities (Exhibit 8).

Exhibit 8—Office of the Auditor General of Canada employment equity results by designated groups and industry



Source : Canadian Human Rights Commission Employment Equity Status Report (2011)

Employee retention

The Office's retention rate in 2011–12 has remained stable at 89 percent, slightly below our 90 percent target. The Office is focused on minimizing turnover in specific target groups, especially in the accounting field. Our central audit resource planning and career management team facilitates the allocation of staff to projects and supports members of the audit community in their professional development through assignment rotation and mentoring programs. The Office has refined its orientation and integration programs to ensure effective transition between teams.

We are continuing to invest in renewing our training and development programs and in developing tailored curricula for our audit and services communities.

Financial performance

Our 2011–12 budget was $105.4 million. This amount consisted of $84.9 million provided in Main Estimates, $13.7 million for services provided by other government organizations without charge, and $6.8 million provided in Supplementary Estimates and other adjustments.

In the 2011–12 fiscal year, parliamentary appropriations approved totalled $94.6 million (Exhibit 9). This amount comprised $84.9 million in Main Estimates and a further $9.7 million in Supplementary Estimates and adjustments and transfers.

Exhibit 9—Voted and statutory appropriations

		2011–12 ($ millions)	
Vote # or statutory item (S)	Vote or statutory wording	Appropriations approved	Appropriations used
15	Program expenditures	84.1	79.3
(S)	Contributions to employee benefit plans	10.5	10.5
	Total	**94.6**	**89.8**

The Office used $89.8 million of the parliamentary appropriations approved, which resulted in a lapse of $4.8 million in the 2011–12 fiscal year ($1.6 million in the 2010–11 fiscal year). Like government departments and agencies, the Office may carry forward lapsed amounts and adjustments of up to five percent of its operating budget (based on Main Estimates program expenditures) into the next fiscal year, subject to parliamentary approval.

Our international contribution

Our international strategy guides our international activities and positions the Office to meet future opportunities and challenges. The Office plays an active role in shaping professional auditing standards, particularly as they relate to the public sector. Office employees participate in various task forces of the International Auditing and Assurance Standards Board to help revise and develop International Standards on Auditing.

The Office is also a member of the Professional Standards Committee's Subcommittee on Financial Audit Guidelines of the International Organization of Supreme Audit Institutions (INTOSAI). This subcommittee supports and contributes to the development of high-quality guidelines that are globally accepted for auditing financial statements in the public sector.

Office employees also participate in various committees of INTOSAI, including the

- Subcommittee on Performance Audit,
- Working Group on Information Technology Audit,
- Working Group on Environmental Auditing,
- Working Group on Value and Benefits of Supreme Audit Institutions,
- Subcommittee to Promote Increased Capacity Building Activities Among INTOSAI Members,
- Task Force on the Global Financial Crisis, and
- Project on Audit Quality Control.

In November 2007, the Office, represented by the Auditor General, assumed the Chair of the Professional Standards Committee's Subcommittee on Accounting and Reporting of INTOSAI.

Building capabilities and professional capacities of audit offices

The Office is helping to build capacity in audit institutions in French sub-Saharan Africa, through partnerships with the Canadian International Development Agency (CIDA) and two executing agencies. We also provide training to auditors from other national audit offices through the International Legislative Audit Assistance Program for Improved Governance and Accountability of the Canadian Comprehensive Auditing Foundation. This CIDA-funded program, which was established in 1980, brings auditors from other national audit offices to Canada for 10 months of training in performance auditing, accountability, and governance.

Promoting better managed and accountable international institutions

The Office is the external auditor of the International Labour Organization until 2015. In past years, the Office was the external auditor of a number of United Nations organizations.

Section III—Supplementary Information

Financial statements

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Management of the Office of the Auditor General of Canada is responsible for the preparation of the accompanying financial statements for the year ended 31 March 2012 and for all information contained in these statements. These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Office's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Office's Departmental Performance Report, is consistent with these audited financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR), which is designed to provide reasonable assurance that financial information is reliable; that assets are safeguarded; and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through the careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communications aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Office; and through an annual assessment of the effectiveness of the system of internal control over financial reporting.

The system of ICFR is designed to mitigate risks to a reasonable level and may not prevent or detect misstatements. It is based on an ongoing process designed to identify and prioritize key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The effectiveness and adequacy of the Office's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the Office's operations. Also, financial services staff annually monitor internal control over financial reporting. As a basis for recommending approval of the financial statements to the Executive Committee, the Office's Audit Committee reviews management's arrangements for internal controls and the accounting policies

employed by the Office for financial reporting purposes. The Audit Committee also meets independently with the Office's internal and external auditors to consider the results of their work.

A risk-based assessment of the system of internal control over financial reporting for the year ended 31 March 2012 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex[1].

Welch LLP, Lévesque Marchand SENC, Chartered Accountants, the independent auditor for the Office of the Auditor General of Canada, has expressed an opinion on the fair presentation of the financial statements of the Office in conformity with Canadian public sector accounting standards, which does not include an audit opinion on the annual assessment of the effectiveness of the Office's internal control over financial reporting.

Michael Ferguson, FCA
Auditor General of Canada

Lyn Sachs, FCPA, FCA
Assistant Auditor General and
Chief Financial Officer

Ottawa, Canada
12 September 2012

[1]The annex can be found on the Office's website at www.oag-bvg.gc.ca

Independent Auditor's Report

To the Speaker of the House of Commons

Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Auditor General of Canada, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Canada as at March 31, 2012, and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the transactions of the Office of the Auditor General of Canada that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations and the *Auditor General Act* and regulations.

Welch LLP
Lévesque Marchand SENC
Chartered Accountants
Licensed Public Accountants

Ottawa, Canada
12 September 2012

Office of the Auditor General of Canada
Statement of Financial Position
as at 31 March

	2012	2011 (Restated - see note 3)
	(in thousands of dollars)	
Financial assets		
Due from the Consolidated Revenue Fund	6,570	7,916
Accounts receivable	538	624
	7,108	8,540
Liabilities		
Accounts payable and accrued liabilities		
Due to employees	3,915	3,692
Due to others	1,755	3,090
Vacation pay	3,672	3,630
Post-employment benefits and compensated absences (note 5)	14,768	17,694
	24,110	28,106
Net debt	(17,002)	(19,566)
Non financial assets		
Tangible capital assets (note 6)	2,297	2,858
Prepaid expenses	314	292
	2,611	3,150
Accumulated Deficit	(14,391)	(16,416)

Contractual obligations (note 10), Contingent liabilities (note 11)

The accompanying notes are an integral part of these financial statements.

Approved by

Michael Ferguson, FCA
Auditor General of Canada

Lyn Sachs, FCPA, FCA
Assistant Auditor General and
Chief Financial Officer

Office of the Auditor General of Canada
Statement of Operations
for the year ended 31 March

	2012	2012	2011 (Restated - see note 3)
	Budget (note 12)	Actual	Actual
		(in thousands of dollars)	
Expenses (note 7)			
Financial audits of Crown corporations, territorial governments, other organizations, and the summary financial statements of the Government of Canada	44,900	47,192	45,023
Performance audits and studies	39,500	38,065	39,787
Special examinations of Crown corporations	2,900	2,676	1,298
Sustainable development monitoring activities and environmental petitions	2,100	1,262	1,027
Assessments of agency performance reports	800	640	729
Professional practices (note 8)	15,200	13,479	13,785
Total cost of operations	105,400	103,314	101,649
Costs recovered			
International audits	700	776	786
Other	100	193	219
Costs recovered not available for use	-	(122)	(912)
Net costs recovered	800	847	93
Net cost of operations	104,600	102,467	101,556
Government funding			
Parliamentary appropriations used (note 4)	90,900	89,811	86,667
Services provided without charge (note 9)	13,700	14,681	14,169
	104,600	104,492	100,836
Annual surplus/(deficit)	-	2,025	(720)
Accumulated deficit, beginning balance	(16,416)	(16,416)	(15,696)
Accumulated deficit, ending balance	(16,416)	(14,391)	(16,416)

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Statement of Change in Net Debt
for the year ended 31 March

	2012	2012	2011 (Restated - see note 3)
	Budget (note 12)	Actual	Actual
		(in thousands of dollars)	
Annual surplus/(deficit)	0	2,025	(720)
Acquisitions of tangible capital assets	(940)	(608)	(503)
Amortization of tangible capital assets	911	984	1,154
Net loss on disposal of tangible capital assets	-	185	-
	(29)	2,586	(69)
Acquisition of prepaid expenses	(242)	(314)	(292)
Use of prepaid expenses	292	292	358
	50	(22)	66
Decrease/(increase) in net debt, during the year	21	2,564	(3)
Net debt, beginning of year	(19,566)	(19,566)	(19,563)
Net debt, end of year	(19,545)	(17,002)	(19,566)

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Statement of Cash Flow
for the year ended 31 March

	2012	2011
	(in thousands of dollars)	
Operating transactions		
Cash paid for		
Employee salaries, wages and benefits	(70,875)	(64,717)
Statutory contributions to employee benefit plans	(10,555)	(10,942)
Materials, supplies and services	(10,244)	(10,919)
Services provided by related parties	(2,268)	(2,114)
Other	(123)	(912)
	(94,065)	(89,604)
Cash received from		
Salaries and benefits recovered for seconded employees	2,294	2,890
International Audits	804	628
Other	418	344
	3,516	3,862
Parliamentary appropriations used (note 4)	89,811	86,667
	93,327	90,529
Cash (used in)/provided by operating transactions	(738)	925
Capital transactions		
Cash used to acquire tangible capital assets	(608)	(503)
Cash applied to capital transactions	(608)	(503)
(Decrease)/increase in Due from the Consolidated Revenue Fund	(1,346)	422
Due from the Consolidated Revenue Fund, beginning of year	7,916	7,494
Due from the Consolidated Revenue Fund, end of year	6,570	7,916

The accompanying notes are an integral part of these financial statements.

1. Authority and objective

The *Auditor General Act*, the *Financial Administration Act*, and a variety of other acts and orders-in-council set out the duties of the Auditor General and the Commissioner of the Environment and Sustainable Development. These duties relate to legislative auditing of federal departments and agencies, Crown corporations, territorial governments, other organizations, and one international organization.

The program activity of the Office of the Auditor General of Canada is legislative auditing and consists of performance audits and studies of departments and agencies; the audit of the summary financial statements of the Government of Canada; financial audits of Crown corporations, territorial governments, and other organizations; special examinations of Crown corporations; sustainable development monitoring activities and environmental petitions; and assessments of agency performance reports.

The Office is funded through annual appropriations received from the Parliament of Canada and is not taxable under the provisions of the *Income Tax Act*.

Pursuant to the *Financial Administration Act*, the Office is a department of the Government of Canada for the purposes of that Act and is listed in Schedule I.1, and is a separate agency for the purposes of Schedule V.

2. Significant accounting policies

a) Basis of presentation

The financial statements of the Office have been prepared by management in accordance with Canadian public sector accounting standards.

b) Parliamentary appropriations

The Office's annual parliamentary appropriations are reported directly in the statement of operations in the fiscal year for which they are approved by Parliament and used by the Office.

c) Costs recovered

The costs of audits are paid from monies appropriated by Parliament to the Office. Fees for international audits generally recover the direct costs incurred and are recognized in the period the audit services are provided. Amounts recovered are available for use by the Office. Other costs recovered represent audit professional services provided to members of the Canadian Council of Legislative Auditors (CCOLA), and other refunds and adjustments. Direct salary and other costs recovered from members of CCOLA are also available for use by the Office.

d) Due from the consolidated revenue fund

The financial transactions of the Office are processed through the Consolidated Revenue Fund of the Government of Canada. The "Due from the Consolidated Revenue Fund" balance represents the amount of cash that the Office is entitled to draw from the Consolidated Revenue Fund, without further appropriations, in order to discharge its liabilities.

e) Accounts receivable

Accounts receivable are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

f) Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at year-end. Gains and losses resulting from foreign currency transactions are included in the net cost of operations on the statement of operations.

g) Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. The Office capitalizes the costs associated with the development of software used internally including software licences, installation costs, professional service contract costs, and salary costs of employees directly associated with these projects. The costs of software maintenance, project management and administration, data conversion, and training and development are expensed in the year incurred.

Amortization of tangible capital assets begins when assets are put into use and is recorded by the straight-line method over the estimated useful lives of the assets as follows:

Tangible capital assets	Useful life
Leasehold improvements	10 years
Informatics software	3 years
Furniture and fixtures	7 years
Informatics hardware and infrastructure	3 years
Office equipment	4 years
Motor vehicle	5 years

h) Accounts payable and accrued liabilities

i) Due to employees

Amounts due to employees represent obligations of the Office for salary and wages using the employees' salary levels at year end and are funded through parliamentary appropriations.

ii) Due to others

Amounts due to others represent obligations of the Office for material and supply purchases and the cost of services rendered to the Office and are funded through parliamentary appropriations.

iii) Vacation pay

Vacation pay is expensed as benefits accrue to employees under their respective terms of employment using the employees' salary levels at year end. Vacation pay liabilities represent obligations of the Office that are funded through parliamentary appropriations.

iv) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

i) Net debt

The net debt is calculated as the difference between liabilities and financial assets. Post-employment benefits and compensated absences represent the most significant component of net debt as these obligations are paid from future parliamentary appropriations.

j) Accumulated deficit

The accumulated deficit represents liabilities incurred by the Office, net of capital assets and prepaid expenses that have not yet been funded through appropriations. Significant components of this amount are post-employment benefits, compensated absences, and vacation pay liabilities.

k) Retirement benefits, post-employment benefits and compensated absences

i) Retirement benefits

All eligible employees participate in the Public Service Pension Plan, a plan administered by the Government of Canada. The Office's contributions are currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Office's contributions are expensed during the year in which the services are rendered and represent its total pension obligation. The Office is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

ii) Post-employment benefits

Employees are entitled to severance benefits, as provided for under their respective conditions of employment. The cost of these benefits is accrued as employees render the services

necessary to earn them. Management determined the accrued benefit obligation using the employees' salary at year end. Severance benefits are funded through parliamentary appropriations when accrued or paid to employees.

iii) Compensated absences

Employees are entitled to sick leave benefits that accumulate but do not vest. The benefits are earned based on employee services rendered and are paid upon an illness or injury related absence. The obligation and the benefit expenses are actuarially determined and are recorded based on the expected future use of the benefits.

l) Services provided without charge by other government departments

Services provided without charge by other government departments are recorded as operating expenses by the Office at their estimated cost. A corresponding amount is reported as government funding. These amounts include accommodation services provided by Public Works and Government Services Canada (PWGSC) and the costs of Public Service employee health, dental, disability, and life insurance plans as well as other payroll costs, which are administered through PWGSC and funded directly by the Treasury Board of Canada Secretariat.

m) Allocation of expenses

The Office charges all direct salary, professional service, travel, and other costs associated with the delivery of individual audits and professional practice projects directly to them. All other expenses, including services provided without charge, are treated as overhead and allocated to audits and professional practices projects based on the direct staff cost charged to them.

n) Measurement uncertainty

These financial statements are prepared in accordance with Canadian public sector accounting standards, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Amortization of tangible capital assets, post-employment benefits, and compensated absences are the most significant items for which estimates are used. Actual results could differ significantly from those estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Restatement

In 2012, the Office engaged an actuary for the first time to determine the expected future use of the current accumulated sick day balance. In the past, no liability was recorded in the financial statements as it was not considered material. With the actuarial analysis performed this year using historical data concerning the Office's sick leave use, the accumulated deficit at the beginning of the year and liabilities have been increased by $3.5 million. This restatement is due to a misinterpretation of data in prior years.

Summary of the line items in the financial statements affected by the adjustments:

	2011		2011
	Previously reported	Adjustments	As restated
		(in thousands of dollars)	
Statement of Financial Position:			
Net Debt, beginning of year	(16,066)	(3,497)	(19,563)
Post-employment benefits and compensated absences	14,240	3,454	17,694
Accumulated Deficit	(12,962)	(3,454)	(16,416)
Statement of Operations:			
Total cost of Operations	101,692	(43)	101,649

4. Parliamentary appropriations

The Office is funded through annual parliamentary appropriations. Items recognized in the statement of operations in one year may be funded through parliamentary appropriations in prior and future years.

The following is a reconciliation of appropriations provided to current year appropriations used:

	2012	2011
	(in thousands of dollars)	
Appropriations:		
Voted—operating expenditures	84,040	78,781
Statutory contributions to employee benefit plans	10,544	10,077
Proceeds from disposal of capital assets	2	1
Current year appropriations provided	94,586	88,859
Less: Budget 2010—Cost containment measures	-	610
Lapsed appropriations	4,775	1,582
	4,775	2,192
Current year appropriations used	89,811	86,667

5. Retirement benefits, post-employment benefits and compensated absences

a) Retirement benefits

The Office's eligible employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the

average of the best 5 consecutive years of earnings. The benefits are fully indexed to the increase in the Consumer Price Index.

The Office's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor. Office and employee contributions to the Plan are as follows:

	2012	2011
	(in thousands of dollars)	
Office contributions	7,581	7,074
Employee contributions	3,500	3,281

b) Post-employment benefits and compensated absences

i) Post-employment benefits

The Office provides severance benefits to its employees based on years of service and salary at termination of employment. The method used to estimate the liability reflects the salary at the end of the fiscal year and provides for one week of salary per year of service up to 30 years for non-management and 28 years for the management category. The cost of these benefits is accrued in the financial statements as employees render the services necessary to earn them.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2011–12. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation. The Office's severance benefits are not pre-funded and will be paid from future appropriations.

ii) Compensated absences

Employees are credited, based on service, a maximum of 15 days annually for use as paid absences, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit costs and liabilities related to the sick leave plan are included in the financial statements.

Information about post-employment benefits and compensated absences, measured as at 31 March, is presented in the following table.

	2012			2011 (Restated)
	Post-employment	Compensated absences	Total post-employment benefits and compensated absences	Total post-employment benefits and compensated absences
			(in thousands of dollars)	
Accrued benefit obligation, beginning of year	14,240	3,454	17,694	17,518
Net benefit expense				
Current year benefit costs	1,430	320	1,750	1,876
Interest on the accrued benefit obligation	-	127	127	119
Actuarial losses (gains)	-	473	473	(85)
	1,430	920	2,350	1,910
Benefit payments	(4,918)	(358)	(5,276)	(1,734)
Accrued benefit obligation, end of year	10,752	4,016	14,768	17,694

The rates used for discounting the liability for sick leave are based on yields for Government of Canada bonds at the valuation date.

6. Tangible capital assets

	Cost				Accumulated amortization				2012	2011
	Opening balance	Acquisitions	Disposals	Closing Balance	Opening balance	Amortization	Disposals	Closing Balance	Net book value	Net book value
					(in thousands of dollars)					
Leasehold improvements	3,621	142	308	3,455	2,286	364	123	2,527	928	1,335
Informatics software	2,400	204	0	2,604	1,632	317	0	1,949	655	768
Furniture and fixtures	4,561	45	59	4, 547	4,218	78	59	4,237	310	343
Informatics hardware and infrastructure	926	195	7	1,114	708	151	7	852	262	218
Office equipment	1,118	22	93	1,047	929	69	93	905	142	189
Motor vehicle	31	0	0	31	26	5	0	31	0	5
Total	12,657	608	467	12,798	9,799	984	282	10,501	2,297	2,858

The net book value of tangible capital assets not being amortized because they are under development totals $158.9 ($0–2011) and is included within informatics software.

7. Summary of expenses by object

Summary of expenses by object for the years ended 31 March are as follows:

	2012	2011 (Restated - see note 3)
	(in thousands of dollars)	
Personnel	81,121	77,701
Transportation and communications	4,090	4,290
Information	485	524
Professional and special services	5,352	6,333
Rentals	9,283	9,154
Repair and maintenance	795	1,108
Utilities, materials and supplies	530	603
Acquisition of machinery and equipment	360	661
Amortization of capital assets	984	1,154
Other subsidies and payments	2	2
Net loss on disposal of tangible capital assets	185	-
Interest on the accrued benefit obligation	127	119
Total expenses	103,314	101,649

The total cost of operations includes services provided without charge by other government departments as explained in note 9.

8. Professional practices

The Office works with other legislative audit offices and professional associations, such as the Canadian Institute of Chartered Accountants, to advance legislative audit methodology, accounting and auditing standards, and best practices. International activities include participation in organizations and events that have an impact on our work as legislative auditors. Peer reviews include the cost of participating in peer reviews of other national legislative audit offices and being the subject of a peer review.

	2012	2011
	(in thousands of dollars)	
Methodology	9,315	8,900
International activities	2,356	2,791
Participation in standard-setting activities	493	1,020
Canadian Council of Legislative Auditors	1,040	694
Peer reviews	275	380
Professional practices	13,479	13,785

9. Related party transactions

The Office is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Office enters into transactions with these organizations in the normal course of business and on normal trade terms. As Parliament's auditor, the Office is mindful of its independence and objectivity when entering into any such transactions. The Office conducts independent audits and studies without charge to federal departments and agencies, Crown corporations, territorial governments, and other organizations.

In 2012, the Office incurred expenses of $27.6 million ($26.1 million in 2011) and recovered expenses of $2.4 million ($2.4 million in 2011) from transactions in the normal course of business with other government departments, agencies, and Crown corporations. These expenses include services provided without charge as follows:

	2012	2011
	(in thousands of dollars)	
Office accommodation	8,937	8,865
Employee insurance plans	5,744	5,304
	14,681	14,169

These amounts are included in expenses shown in note 7.

As at 31 March, the accounts receivable and payable with other government departments, agencies, and Crown corporations are as follows:

	2012	2011
	(in thousands of dollars)	
Accounts receivable	173	195
Accounts payable	246	163

These amounts are included respectively in accounts receivable and "due to others" on the statement of financial position.

10. Contractual obligations

Significant contractual obligations relating to photocopier operating leases are summarized as follows. Renewals of leases, the majority of which expire in 2012–13, have not yet been negotiated:

	2013	2014	Total
		(in thousands of dollars)	
Operating leases	200	15	215

11. Contingent liabilities

In the 2000-01 fiscal year, the Public Service Alliance of Canada filed a pay equity suit against the Crown, alleging that discrimination based on sex had occurred between 1982 and 1997 in seven separate employers. The Office is one of the seven employers named in the suit. The Alliance requests that the Treasury Board of Canada Secretariat or the responsible employer retroactively increase the wage rates of employees of specific separate employers to remedy the discrimination. This pay equity claim was originally filed at the Canadian Human Rights Commission but was stayed. It is now before the Public Service Labour Relations Board as this organization is now responsible for pay equity complaints for the public sector. In the opinion of management, the outcome and the amount of the suit are not determinable at this time and, accordingly, no liability has been recognized in the financial statements.

12. Budget figures

Budget figures have been provided for comparison purposes and have been derived from the revised 2011–12 planned spending figures included in the 2012–13 Report on Plans and Priorities.

13. Comparative figures

Certain 2010–11 comparative figures have been reclassified to conform to the presentation adopted in the 2011–12 fiscal year.

Financial tables

Table 1—Total value of service contracts

	Contracts with original value less than $25,000			Contracts with original value greater than $25,000		
	($)	Number	Percentage	($)	Number	Percentage
Competitive contracts	1,195,846	107	22.2%	2,074,782	44	95.6%
Non-competitive contracts	2,002,646	376	77.8%	267,487	2	4.4%
Total	**3,198,492**	**483**	**100.00%**	**2,342,269**	**46**	**100.00%**

This table highlights the Office's contracting activity for services in calendar year 2011.

All amounts include fees, expenses, amendments, and taxes. Contracts are classified based on the total original value, which includes original fees, expenses, and taxes. However, the amounts reported also include any amendments. Contracts with a total original value of less than $25,000 are sometimes amended in accordance with the Office's contracting policy. In some cases the total amended value may exceed $25,000—these contracts are still included with "contracts with original value less than $25,000." There were four non-competitive contracts with a total original value of less than $25,000 and an amended value greater than $25,000. The total value of the amendments to these contracts was $34,547. Further disclosure can be found on the OAG website where we report the total amended value (total original value plus any amended value) of contracts over $10,000.

The Auditor General's power to enter into contracts for services is set out in subsection 16(2) of *the Auditor General Act*, and the Office is subject to the *Government Contracts Regulations*. The Auditor General's Policy on Contracting for Services requires that contracts for an estimated value of $25,000 or more be awarded through competition, unless they meet one of the three criteria for exemption: the need is one of pressing urgency, it is not in the public interest to solicit bids due to the nature of the work, or there is only one person capable of performing the work. Contracts that exceed the North American Free Trade Agreement (NAFTA) threshold follow NAFTA rules.

In 2011, we awarded two contracts to the same contractor for $267,500 on a non-competitive basis for software upgrade and licences related to proprietary audit software.

Table 2—Travel and hospitality expenses

Disclosure of the travel and hospitality expenses for the Auditor General, the Deputy Auditor General, the Commissioner of the Environment and Sustainable Development, and the assistant auditors general as well as for corporate events is available on our website under Proactive Disclosure. The Office follows the Treasury Board Travel Directive and the Treasury Board Hospitality Policy, as appropriate for Agents of Parliament.

Table 3—Office memberships[1]

	($ thousands)
Canadian Comprehensive Auditing Foundation (CCAF-FCVI Inc.)	464.9
Conference Board of Canada	11.5
Head of Federal Agencies Secretariat	7.5
International Organization of Supreme Audit Institutions	6.2
Public Policy Forum	5.5
Association des institutions supérieures de contrôle ayant en commun l'usage du français	1.0

[1] The Office participates and supports professional organizations related to its legislative auditing program. The Office also pays individual employee membership fees to a variety of professional organizations.

Table 4—Compensation and benefits

The following is a summary of compensation and selected benefits paid to the Office employees by level. Office employees receive benefits comparable to other federal government employees, which are not included in this table.

Position	FTEs[1]	Salary ($)	Bilingual bonus ($)	Performance pay[2] ($)	Automobile[3] ($)	Total ($)
Auditor General	1	334,500[4]			3,370	337,870
Deputy Auditor General	1	210,065–251,445		0–41,240		210,065–292,685
Commissioner of the Environment and Sustainable Development	1	165,740–217,420		0–35,660		165,740–253,080
Assistant auditors general	14	165,740–197,655		0–32,400		165,740–230,055
Senior principals	5	119,025–172,440		0–28,300		119,025–200,740
Principals	52	119,025–153,515		0–19,300		119,025–172,815
Senior directors	3	92,885–137,960		0–17,400		92,885–155,360
Directors	102	92,885–123,175		0–15,500		92,885–138,675
Auditors	271	45,867–103,707	800	0–3,000		45,867–107,507
Audit support services	190	34,954–107,833	800			34,954–108,633
Total FTEs	640					

[1] Full-time equivalents (FTEs) used in the fiscal year 2011–12.

[2] Amounts represent the range that levels are eligible to receive in performance pay.

[3] Taxable benefit for the personal use of an automobile for the 2011 calendar year.

[4] The salary of the Auditor General is set by statute under subsection 4(1) of the *Auditor General Act* and is equal to the salary of a puisne (junior) judge of the Supreme Court of Canada.

Performance pay

Every year, managers are evaluated on their product management and people management skills, with each counting for 50 percent of the total performance pay envelope. For the 2011 calendar year, 182 of the eligible managers (99 percent) received performance pay for product management, people management, or both. Performance pay at the Office is part of the total compensation package for the management group, and a basic amount is expected to be paid to managers as long as their objectives are met. This portion of the performance pay is comparable to the "pay at risk" given by the public service. The following table shows the distribution.

Rating description	Percentage of eligible managers who received this rating for 2011	
	Product management	People management
Did not fully meet expectations	1%	1%
Met expectations	62%	76%
Exceeded expectations	34%	22%
Exceptional performance	3%	1%

Performance pay for managers who met expectations may be in the form of a salary increase and/or a bonus. The amount can range from 7.6 to 11.4 percent of a manager's salary, depending on the level. Managers who exceeded expectations are eligible for an additional bonus of between one and five percent of their salary, depending on their level and performance.

The Office's performance pay guidelines differ from the Public Service's Performance Management Program, in the amounts paid to managers. Both systems provide for in-range increases and additional cash lump-sum awards. Public service executives can receive in-range increases and an additional amount for at risk pay-up to 17.6 percent (27.4 percent for executives at the EX-4 and EX-5 levels). The combined maximum performance pay for the Office, including in-range increases and bonuses, is 12.6 percent for directors and principals and 16.4 percent for senior principals, assistant auditors general, the Deputy Auditor General, and the Commissioner of the Environment and Sustainable Development.

For details of performance pay by level see Table 4.

A total of $2,310,460 in performance pay (including in-range increases and lump sum bonuses) was paid to managers for 2011. In addition, 58 non-management auditors (18 percent) received a fixed performance pay of $3,000 in keeping with the Audit Professionals collective agreement.

Report on staffing

The Auditor General has received the staffing authorities of the Public Service Commission directly through the *Auditor General Act*. Since the Commission must report annually to Parliament for the previous fiscal year on matters under its jurisdiction, the Office of the Auditor General believes it should also report annually on the Office's staffing.

The following table takes into account the Public Service Commission's Staffing Management Accountability Framework. It summarizes the 11 areas of accountability and identifies the indicators present in the Office. The framework is intended to ensure a values-based staffing system through which the core principles of merit and non-partisanship are applied in accordance with the core values of fairness, transparency, and access.

Staffing: Areas of accountability and indicators

1. Delegation of staffing to deputy heads: The process of exercising authority and establishing a well-defined structure and administration in order to support the achievement of desired results.	
Mechanisms are in place to ensure that sub-delegated managers comply with their sub-delegated authority.	The Executive Committee approved a written delegation of authority for human resource management. Training was provided to all hiring managers. New appointees to the Management Group (directors and principals) are required to attend a half- or full-day transition session. Issues discussed include human resource responsibilities and delegated authorities. A revised Delegated HR Authorities document has been drafted for approval in 2012–13.
2. Planning for staffing and monitoring of results: Staffing strategies are planned based on analyses of the workforce and of staffing trends and patterns.	
Staffing strategies support organizational staffing priorities and align with current and future needs. The Office of the Auditor General (OAG) assesses the extent to which expected results for staffing are achieved and adjusted, as required.	Staffing needs are assessed annually. Based on these needs and on the OAG's budget, full-time equivalent (FTE) positions are allocated to each assistant auditor general (AAG). The AAGs are then responsible, with the help of Human Resources, for staffing their groups. The allocation of resources is monitored regularly by the Career Management and Resource Team in order to identify and resolve gaps between needs in specific audits and available resources. Each month, a status report on the overall staffing levels and FTE budgets is provided to the Executive Committee for monitoring. The Staffing and Finance groups meet monthly to ensure that resources are allocated effectively and meet targets established in the plan.
3. Organizational human resource (HR) support systems: The OAG has access to a reasonable number of HR advisors with appropriate staffing expertise to support hiring decisions.	
• The capacity of HR advisors is sufficient for the volume of staffing. • Learning activities are undertaken by HR advisors.	There were 112 staffing processes in the 2011–12 fiscal year, which resulted in 166 appointments. Two staffing advisors, plus an assistant, met the demands. A benchmarking exercise supports the belief that these resources are sufficient. The staffing officers, who must participate in a minimum of 20 hours per year of learning, have taken available training on staffing, both internally and externally.

4. Communication: The OAG is expected to respect the *Public Service Employment Act* and to monitor staffing activities to ensure accountability for staffing decisions.	
Staffing performance deficiencies identified by internal audit are corrected in a timely fashion.	An internal audit of staffing conducted in 2007 pointed out a few areas with deficiencies within the OAG staffing system. The HR team made a number of adjustments to processes to ensure that these deficiencies were addressed. The follow-up to this audit concluded that the appropriate measures were put in place.
Staffing risks are monitored and reviewed by the Assistant Auditor General, Corporate Services.	The HR team prepares an annual monitoring report on staffing activities specifically targeted to examine risk areas associated with staffing activities. For the past several years, the HR team met with the AAG Corporate Services to review the Staffing Monitoring Report. The AAG Corporate Services then shares comments with the Executive HR Committee as required.
5. Flexibility and efficiency: Resourcing approaches are adapted to the OAG's needs, and our staffing system provides good value and is timely and effective.	
• Managers are satisfied with the OAG's staffing processes, including the length of time to staff positions. • Candidates are satisfied with the duration of the processes.	• While this is not an area that the OAG has investigated through a formal survey because we are a small organization, this information is regularly sought in ad hoc discussions with our hiring managers. The HR Principal regularly discusses performance of the HR team with AAGs and service leaders. • Monthly reports are produced identifying open positions and positions staffed during the previous month. • Regular meetings are held between staffing advisors and managers to review progress on open positions.
6. Merit: People who are appointed meet the essential qualifications, including official language capability.	
Managers and candidates are satisfied that the staffing process assesses merit. In-house investigations are conducted as required.	• As we have not had to conduct any in-house investigations into the application of merit, we have concluded that there is no concern in this area. • The majority of bilingual staffing processes (87 percent) were deemed bilingual imperative in 2011–12. For these imperative staffing actions, all candidates met the official language qualifications of the position prior to being appointed. It should be noted that the Auditor General has the power to waive the imperative requirement if the position requires specific expertise, such as senior financial audit positions.
7. Non-partisanship: Appointments and promotions are done objectively and are free from political influence.	
• Managers' perceptions of external pressure to select a particular candidate are considered. • Investigations related to political influence in staffing are conducted, if necessary.	The OAG has not had to conduct any investigations of political influence in the staffing process.
8. Representativeness: Appointment processes are conducted without bias and do not create systemic barriers.	
Staffing-related provisions or initiatives to increase representativeness are in place.	As the OAG's overall representation is exceeding targets, this is not an area of concern. Data on promotions, departures, and new hires is reviewed and monitored every year to ensure that the OAG has not inadvertently created barriers to employment.

9. Access: People from across Canada have a reasonable opportunity to be considered for employment at the OAG.	
Indicators include the following: • Percentage of external appointments that are advertised • Percentage of these external appointments that were advertised nationally	• During the 2011–12 fiscal year about 51 percent of all processes were open to the public (external). • Of those external processes, 100 percent were advertised nationally. It should be noted that the majority of non-advertised external processes are the result of student bridging activities in which high-performing co-op students are appointed within our Audit Trainee programs.
10. Fairness: Communication ensures the integrity of the appointment process by being transparent, easy to understand, timely, and accessible, and by including the relevant stakeholders.	
Indicators include the following: • Percentage of indeterminate hires converted from casual status • Perception of fairness in staffing—for example, "In my work unit, the process of selecting a person for a position is done fairly"	• The OAG employed 10 casual employees in the 2011–12 fiscal year. • No casual employees were converted to term employees during the period.
11. Transparency: Information about staffing strategies, decisions, policies, and practices is communicated in an open and timely manner.	
Organizational staffing priorities are communicated on the OAG website and contents are clearly communicated to managers, employees, and bargaining units, where applicable.	• The OAG produces an annual HR report that includes the number of hires, departures, and turnover rate, as well as reasons for departures and anticipated retirement rates. This document is made available to employees on the INTRAnet. • All competitions are advertised in both official languages. Competitions open to people outside the Office are advertised on our website ("Careers"). Most of them were also posted on the Government of Canada website ("Jobs Open to the Public"). • The multi-year recruitment and retention strategy is available on our INTRAnet.

Sustainable development commitments

Sustainable development requires the integration of environmental, economic, and social considerations in the development and implementation of government programs. The Office's sustainable development commitments are to further integrate environmental considerations into our audit selection and planning decisions. We continue to strive to achieve this goal, and our current result is summarized in the following table.

Selected sustainable development commitments, targets, and performance		
Commitment	**Indicators and targets**	**2011–12 Actual**
Prepare long-term audit plans and individual performance audits using the Office's environmental risk assessment guide (4th E Practice Guide).	100 percent of performance audit teams use the 4th E Practice Guide's screening tool and consult with environmental specialists to identify and assess environmental risks when they are preparing long-term audit plans.	67%
	100 percent of performance audit teams use the 4th E Practice Guide's screening tool and consult with internal environmental specialists to determine if there are any important environmental issues related to their audit topic.	96%
Provide enhanced support and advice to audit teams conducting special examinations where important environmental risks for Crown corporations have been identified.	100 percent of these cases receive enhanced support and advice starting in 2007.	100%

List of performance audits

The following is a list of the performance audits planned for in our 2011–12 Report on Plans and Priorities (RPP), including their planned and actual tabling. Names are based on titles of publication.

Auditor General of Canada	Planned reporting date in 2011–12 RPP	Actual reporting date
Expenditures for the 2010 G8 and G20 Summits	Spring 2011	June 2011
Reserve Force Pension Plan—National Defence	Spring 2011	June 2011
Financial Management and Control and Risk Management	Spring 2011	June 2011
Large Information Technology Projects	Spring 2011	June 2011
Internal Audit	Spring 2011	June 2011
Programs for First Nations on Reserves	Spring 2011	June 2011
National Police Services—Royal Canadian Mounted Police	Spring 2011	June 2011
Regulating Medical Devices—Health Canada	Spring 2011	June 2011
Special Examinations of Crown Corporations—2010	Spring 2011	June 2011
Canada's Economic Action Plan	Fall 2011	November 2011
Payments to Producers—Agriculture and Agri-Food Canada	Fall 2011	November 2011
Issuing Visas	Fall 2011	November 2011
Regulating Pharmaceutical Drugs—Health Canada	Fall 2011	November 2011
Maintaining and Repairing Military Equipment—National Defence	Fall 2011	November 2011
Administration of the House of Commons	Fall 2011	Postponed to June 2012
Administration of the Senate	Fall 2011	Postponed to June 2012
Unplanned		
G8 Legacy Infrastructure Fund		June 2011

Commissioner of the Environment and Sustainable Development	Planned reporting date in 2011–12 RPP	Actual reporting date
Progress against the *Kyoto Protocol Implementation Act*	Spring 2011	October 2011
Assessing Cumulative Environmental Effects of Oil Sands Projects	Spring 2011	October 2011
Environmental Science	Fall 2011	December 2011
Transportation of Dangerous Products	Fall 2011	December 2011
Enforcing the *Canadian Environmental Protection Act, 1999*	Fall 2011	December 2011
Environmental Petitions	Fall 2011	December 2011
Other (unplanned)		
A Study of Managing Fisheries for Sustainability		December 2011
A Study of Environmental Monitoring		December 2011

Territorial performance audits	Planned reporting date in 2011–12 RPP	Actual reporting date
Status Report of the Auditor General of Canada to the Yukon Legislative Assembly	February 2012	Postponed to June 2012
Status Report of the Auditor General of Canada to the Northwest Territories Legislative Assembly	February 2012	February 2012
Procurement of Goods and Services in Nunavut	March 2012	February 2012

List of special examinations

Special examination	Statutory deadline[1]	Transmission date
Canadian Race Relations Foundation	June 2015	September 2011
Public Sector Pension Investment Board	November 2015	May 2011
Old Port of Montreal Corporation Inc.	June 2015	Pending

[1] The *Budget Implementation Act, 2009* changed the frequency of special examinations in the *Financial Administration Act*, from at least once every five years to at least once every ten years. The statutory deadlines and schedule of planned special examinations were revised following that change.

List of internal audits and reviews

Internal audits and reviews completed in 2011–12		
Name of internal audit	**Audit type**	**Completion date**[1]
Report on a Review of the Annual Audit Practice—Practice Reviews Conducted in the 2011–12 Fiscal Year	Compliance	January 2012
Report on a Review of the Performance Audit Practice—Practice Reviews Conducted in the 2011–12 Fiscal Year	Compliance	August 2012[2]
Financial Management and Budgeting—Internal Audit	Compliance	July 2012[3]

[1] Reports will be posted on the website of the Office of the Auditor General once they have been translated.

[2] The individual practice reviews were conducted in the 2011–12 fiscal year, and the summary report was presented to the Audit Committee in August 2012.

[3] The internal audit was completed in the 2011–12 fiscal year, and the report was presented to the Audit Committee in July 2012.

Our performance indicators and measures

The Office has established a set of core indicators of impact and measures of organizational performance to help inform management decision making.

Our indicators of impact help us to assess the extent to which

- our work adds value for the key users of our reports,
- our work adds value for the organizations we audit,
- key users of our reports are engaged in the audit process, and
- key users of our reports and the organizations we audit respond to our findings.

Our measures of organizational performance help us monitor the extent to which

- our work is delivered on time and on budget,
- our audit reports are reliable, and
- we provide a respectful workplace.

We use surveys to gather feedback from our clients and the organizations we audit on our performance. Information on the surveys can be found on our website at: www.oag-bvg.gc.ca (under Reports and Publications/Audit Methodology/Conducting Surveys).

Indicator Table 1—Summary of our indicators of impact

Objectives and indicators	2010–11 Actual	2011–12 Actual	2011–12 Target
Our work adds value for the key users of our reports.			
Percentage of audit committee chairs who find our financial audits add value	81%	91%	90%
Percentage of parliamentary committee members who find our performance audits add value	N/A[1]	N/A[2]	90%
Percentage of board chairs who find our special examinations add value	See footnote #3	See footnote #3	90%
Our work adds value for the organizations we audit.			
Percentage of Crown corporation and large-department senior managers who find our financial audits add value	89%	85%	80%
Percentage of departmental senior managers who find our performance audits add value	74%	79%	70%
Percentage of Crown corporation chief executive officers who find our special examinations add value	See footnote #3	See footnote #3	80%
Key users of our reports are engaged in the audit process.			
Number of parliamentary hearings and briefings we participate in	46	29	Maintain or Increase[4]
Percentage of performance audits reviewed by parliamentary committees	62%	43%	Maintain or Increase[4]
Key users of our reports and the organizations we audit respond to our findings.			
Percentage of qualifications and "other matters" that are addressed from one financial audit to the next	26%	52%[5]	100%
Percentage of recommendations examined in our follow-up audits where progress has been assessed as satisfactory	N/A[6]	62%	75%
Percentage of significant deficiencies that are addressed from one special examination to the next	100% (1 of 1)[7]	N/A[8]	100%

[1] There was no survey of parliamentarians in the 2011–12 fiscal year.

[2] There was no survey of parliamentarians in the 2010–11 fiscal year due to the federal election.

[3] Due to the small number of respondents, percentage results are not presented. The feedback we have received has been positive and consistent with our targets.

[4] There is no numeric target for these indicators since they depend on the number of sitting days in Parliament. Instead, the target is to maintain the percentage of parliamentary hearings and briefings we participate in, relative to the number of sitting days, and to maintain the percentage of audits reviewed by parliamentary committees.

[5] In completing our financial audits in 2011–12, we found that 15 of the 29 qualifications and "other matters" contained in our 2010–11 financial audit opinions had been addressed by the organizations we audited.

[6] The Office did not table a status report in 2010–11.

[7] For one of the four special examinations completed in 2010–11, there had been a significant deficiency in the previous special examination. This significant deficiency was addressed.

[8] No special examinations completed in 2011–12 had previously identified significant deficiencies.

Indicator Table 2—Summary of our organizational performance

Objectives and indicators	2010–11 Actual	2011–12 Actual	2011–12 Target
Our work is completed on time			
Percentage of financial audits completed on time:[1]			
• federal Crown corporations with statutory deadlines	96%	98%	100%
• other federal organizations with statutory deadlines[2]	96%	91%	100%
• federal organizations with no statutory deadlines	100%	93%	80%
• territorial organizations	31%	56%	60%
Percentage of performance audit reports completed by the planned tabling date as published in the Report on Plans and Priorities	92%	88%	90%
Percentage of special examination reports delivered on or before the statutory deadline	100% (4 of 4)	100% (2 of 2)	100%
Our work is completed on budget			
Percentage of audits completed on budget:[3]			
• Financial audits—federal Crown corporations	69%	80%	80%
• Financial audits—other federal organizations with statutory deadlines	65%	57%	80%
• Financial audits—federal organizations without a statutory deadline	69%	79%	80%
• Financial audits—territorial organizations	26%	59%	80%
• Performance audits	88%	84%	80%
• Special examinations	50% (2 of 4)	100% (2 of 2)	80%
Our audit reports are reliable			
Percentage of internal practice reviews that found the opinions and conclusions expressed in our audit reports were appropriate and supported by the evidence[4]	95% (18 of 19)	100% (11 of 11)	100%
External peer reviews find our quality management frameworks are suitably designed and operating effectively	n/a[5]	n/a[5]	100%
We provide a respectful workplace			
Percentage of employees who believe the Office is an above-average place to work	n/a[6]	n/a[6]	80%
Percentage of management who meet our language requirements:			
• Auditor General, assistant auditors general, and principals	84%	84%	100%
• directors in bilingual regions	73%	74%	75%

Indicator Table 2—Summary of our organizational performance (continued)

Objectives and indicators	2010–11 Actual	2011–12 Actual	2011–12 Target
Percentage representation relative to workforce availability for			
• women	115%	116%	100%
• people with disabilities	120%	106%	100%
• Aboriginal peoples	129%	105%	100%
• members of visible minorities	109%	86%	100%
Percentage retention of audit professionals	89%	89%	90%

[1] "On time" for financial audits means the statutory deadline where one exists (usually 90 days after the year- end), or 150 days after the year-end where no statutory deadline exists.

[2] The National Battlefields Commission is excluded from this calculation as its statutory deadline is only 60 days after the year-end.

[3] "On budget" means that the actual hours to complete an audit did not exceed the budgeted hours by more than 15 percent.

[4] This indicator replaces "the percentage of internal practice reviews that find our audit in compliance with our quality management frameworks."

[5] There was no external peer review in the 2010–11 or 2011–12 fiscal years.

[6] There was no employee survey in 2010–11. In 2012–13, a short employee survey was conducted.